

MINUTES OF THE REGULAR MEETING  
OF THE  
POWER AUTHORITY OF THE STATE OF NEW YORK

March 25, 1997

Table of Contents

<u>Subject</u>	<u>Page No.</u>	<u>Exhibit</u>
1) Minutes of the Regular Meeting held on February 25, 1997	2	
2) Financial Report for the Two Months Ended February 28, 1997	3	'2-A'
3) Report from the President & Chief Operating Officer	4	
4) Amendment to Nuclear Decommissioning Trust Investment Guidelines Resolution	6	'4-A'
5) Selection of Audit Committee Members Resolution	8	
6) Establishment of Standards of Conduct for Power Authority Transmission Operations Resolution	9	'6-A'
7) Indian Point 3 Nuclear Power Plant - Refueling Equipment Upgrade: Polar Crane, Manipulator Crane & Fuel Transfer System - Expenditure Authorization Resolution	12	
8) Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Award Resolution	15	'8-A'
9) Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Extensions and Approval of Additional Funding Resolution	20	'9-A'
10) Next Meeting	26	
Closing	27	

March 25, 1997

Minutes of the Meeting of the Power Authority of the State of New York held at the New York Office at 10:00 a.m.

Present: Clarence D. Rappleyea, Chairman  
Thomas R. Frey, Vice Chairman  
Louis P. Ciminelli, Trustee  
Hyman M. Miller, Trustee  
Robert J. Waldbauer, Trustee

---

Robert G. Schoenberger	President and Chief Operating Officer
Peter W. Delaney	Senior Vice President - Business Services
John F. English	Senior Vice President - Corporate Planning
Robert A. Hiney	Senior Vice President - Power Generation
James Knubel	Senior Vice President and Chief Nuclear Officer
Louise M. Morman	Senior Vice President - Marketing and Economic Development
Robert L. Tscherne	Senior Vice President - Energy Efficiency & Technology
Charles M. Pratt	General Counsel
Arnold M. Bellis	Vice President - Controller
John M. Hoff	Vice President - Procurement and Real Estate
Russell J. Krauss	Chief Information Officer
H. Kenneth Haase	Vice President - System Planning
Gerard V. Loughran	Vice President - Human Resources
Harry P. Salmon, Jr.	Vice President - Nuclear Operations
Stephen P. Shoenholz	Vice President - Public Relations
James L. Ford	Regional Manager - Western
Richard E. Kuntz	Regional Manager - SENY Southeast New York
James J. McCarthy	Regional Manager - Central New York
Jordan Brandeis	Director - Performance Planning
Carmine J. Clemente	Counsel
Gary Paslow	Director - Policy Development
Robert Meehan	Director - Compensation and Benefits
John L. Murphy	Director - Public Information
George W. Collins	Treasurer
Edgar K. Byham	Principal Attorney
Anne Wagner-Findeisen	Corporate Secretary
Laura M. Badamo	Assistant Corporate Secretary - Legal Affairs
Vernadine E. Quan-Soon	Assistant Corporate Secretary - Corporate Affairs

---

Chairman Rappleyea presided over the meeting. Secretary Wagner-Findeisen kept the Minutes.

March 25, 1997

1. **Approval of the Minutes**

"The minutes of the Regular Meeting held on March 25, 1997 were approved."

March 25, 1997

2. Financial Report for the Two Months Ended February 28, 1997

Financial Reports  
Table of Contents

---

- 1 Financial Summary
- 2 Statement of Net Revenues
- 3 Statement of Net Operating Revenues
- 4 Net Revenues - Variance from Forecast
- 5 Site O&M and Direct Charges
- 6 Administrative Expenses
- 7 Statement of Net Assets
- 8 Summary of Net Generation
- 9 Capital Expenditures
- 10 Demand Side Management Financial Report
- 11 Status of Reserves
- 12 Portfolio Performance and Financing Rates
- 13 Nuclear Generation Staffing Report

**NEW YORK POWER AUTHORITY  
FINANCIAL REPORT  
FOR THE TWO MONTHS ENDED FEBRUARY 28, 1997  
(\$ in millions)**

<u>Financial Summary</u>	<u>1997 (YTD)</u>		<u>February 1997</u>
	<u>Actual</u>	<u>Forecast</u>	<u>Actual</u>
<b>Net Operating Revenues</b>	38.3	25.4	15.8
<b>Net Revenues</b>	26.0	9.2	8.0
<b>O&amp;M (Incl. administrative)</b>	70.0	72.8	37.5
<b>Generation (GWH's)</b>	6,017	6,154	2,878
<u>Reserves</u>	<u>Current</u>	<u>Prior Month</u>	<u>December 1996</u>
<b>Operating</b>	131	163	160
<b>General</b>	<u>71</u>	<u>61</u>	<u>59</u>
	<u>202</u>	<u>224</u>	<u>219</u>

Net revenues for the two months ended February 28, 1997 were \$26.0, which is \$16.8 higher than forecasted. During this period, higher revenues (\$17.8) and investment income (\$3.6) were partially offset by higher operating expenses (\$4.9). Revenues exceeded the forecast due to higher than anticipated hydro generation, increased sales of Poletti power to the NYPP, and higher non-firm sales to power marketers. Higher operating expenses included higher purchased power (\$12.4) partially offset by lower fuel costs (\$4.4), lower O&M (\$2.8) and lower R&D and other expenses (\$2.0). Higher purchased power costs were incurred at IP-3 (\$10.2, support during forced outage) and Transmission (\$5.9, acquired energy for 3rd party sales). Fuel costs were lower due to lower generation at each of the nuclear and fossil operating facilities. Lower O&M at JAF (\$2.4) and headquarters (\$1.4) was partially offset by higher O&M at IP-3 (\$1.9) due to the unscheduled outage. Investment income exceeded the forecast by \$3.6 due to higher than anticipated gains on sales of securities.

Net revenues for the month of February were \$8.0 increasing year-to-date results to \$26.0. These positive results are substantially attributable to continued high river flows, non-firm sales to power marketers and higher returns on investments. During the month, reserves decreased by \$22.0 primarily due to nuclear fuel enrichment payments to the DOE in anticipation of the IP-3 refueling later this year.

**NYPA  
NET REVENUES  
TWO MONTHS ENDED FEBRUARY 28, 1997  
(\$ in 000's)**

	<u>ACTUAL</u>	<u>FORECAST</u>	<u>VARIANCE FAVORABLE / (UNFAVORABLE)</u>
<b>OPERATING REVENUES</b>	<u>\$239,653</u>	<u>\$221,871</u>	<u>\$17,782</u>
<b>OPERATING EXPENSES</b>			
FUEL CONSUMED - OIL & GAS	25,181	27,357	2,176
NUCLEAR	8,733	10,932	2,199
PURCHASED POWER	17,136	4,772	(12,364)
WHEELING	39,888	38,674	(1,214)
SITE O&M AND DIRECT CHARGES	54,786	56,265	1,479
ADMINISTRATIVE EXPENSES	15,171	16,537	1,366
IOU SUBSTATION EXPENSE	4,334	4,965	631
DECOMMISSIONING	11,391	11,229	(162)
R&D AND OTHER	630	2,669	2,039
DEPRECIATION & AMORTIZATION	24,667	24,761	94
ALLOCATION TO CAPITAL	(582)	(1,704)	(1,122)
	<u>201,335</u>	<u>196,457</u>	<u>(4,878)</u>
<b>NET OPERATING REVENUES</b>	<u>38,318</u>	<u>25,414</u>	<u>12,904</u>
<b>INVESTMENT &amp; OTHER INCOME</b>	17,185	13,555	3,630
<b>INTEREST &amp; OTHER EXPENSES</b>	29,542	29,790	248
	<u>29,542</u>	<u>29,790</u>	<u>248</u>
<b>NET REVENUES</b>	<u><u>\$25,961</u></u>	<u><u>\$9,179</u></u>	<u><u>\$16,782</u></u>

New York State Power Authority  
 Net Revenues by Facility  
 For the Two Months ended February 28, 1997  
 (\$ in 000's)

	Niagara / St. Lawrence	B-G	IP3 / Poletti	JAF	Flynn	Transmission	Elimination & Adjmts	Total
<b>Operating Revenues</b>	\$37,604	\$6,532	\$129,531	\$36,435	\$11,177	\$35,155	(\$16,781)	\$239,653
<b>Operating Expenses</b>								
Fuel Consumed - Oil & Gas			17,637					25,181
- Nuclear			3,567	5,166	7,544			8,733
Purchased Power	35	336	22,724	1,106		10,729	(17,794)	17,136
Wheeling	4,671		33,716	1,464		37		39,888
Site O&M and Direct Charges	9,243	2,575	27,243	12,720	640	2,365		54,786
Administrative Expenses	5,231	541	5,195	3,031	263	910		15,171
IOU Payments						4,334		4,334
Decommissioning			5,505	5,886				11,391
R&D and Other							630	630
Depreciation & Amortization	3,533	737	9,777	4,230	749	5,641		24,667
Allocation to Capital	(263)	(27)	(161)	(72)	(13)	(46)		(582)
Total Operating Expenses	22,450	4,162	125,203	33,531	9,183	23,970	(17,164)	201,335
<b>Net Operating Revenues</b>	15,154	2,370	4,328	2,904	1,994	11,185	383	38,318
Investment and Other Income	1,115	146	7,836	5,401	418	2,107	162	17,185
Interest and Other Expenses	(693)	(783)	(15,364)	(2,278)	(1,785)	(8,176)	(463)	(29,542)
Net Revenues (Deficiency)	15,576	1,733	(3,200)	6,027	627	5,116	82	25,961
Forecast	13,950	405	(922)	3,155	(2,945)	(3,100)	(1,364)	9,179
Variance	\$1,626	\$1,328	(\$2,278)	\$2,872	\$3,572	\$8,216	\$1,446	\$16,782

NEW YORK POWER AUTHORITY  
 VARIATIONS FROM FORECAST  
 MAJOR FACTORS  
 For the Two Months ended February 28, 1997  
 (Millions)

		<u>Better/(Worse) than forecast</u>	
<b>Niagara/St. Lawrence</b>	o Above forecast revenues due to higher generation ( 9.4% )	1.7	
	o Above forecast St. Lawrence O&M due to earlier than scheduled work on the Bridge Repair Project	(0.6)	
	o Lower allocated administrative costs	0.6	
	o Other	<u>(0.1)</u>	1.6
<b>Blenheim/Gilboa</b>	o Above forecast revenues due to higher transfers to IP3/Poletti (outage support)	1.2	
	o Other	<u>0.1</u>	1.3
<b>IP3/Poletti</b>	o Higher than forecasted revenues due to higher sales to the NYPP	7.2	
	o Higher purchased power costs due to need for additional support energy during the one-month unscheduled outage	(10.2)	
	o Above forecast wheeling expense	(1.3)	
	o Lower fossil fuel costs (lower Poletti generation)	0.5	
	o Lower nuclear fuel consumed (lower generation)	1.1	
	o Above forecast IP3 site O&M due to the feedwater heater outage	(1.8)	
	o Below forecast Poletti site O&M (labor redeployed at IP3)	0.4	
	o Lower allocated administrative costs	0.4	
	o Higher allocated investment income and other (net)	<u>1.4</u>	(2.3)
<b>J. A. FitzPatrick</b>	o Lower revenues due to a lower average price per kwh sold	(2.1)	
	o Below forecast site O&M due to credits related to the 1996 refueling outage (lower billings from GE than estimated in closing 1996)	2.4	
	o Lower nuclear fuel consumed	1.1	
	o Higher allocated investment income and other (net)	<u>1.5</u>	2.9
<b>Flynn</b>	o Higher revenues based on higher gas prices	1.3	
	o Lower fuel consumed due to lower generation	1.7	
	o Below forecast site O&M due to an underrun in corrective maintenance	0.3	
	o Other	<u>0.3</u>	3.6
<b>Transmission</b>	o Higher net transmission revenues due to above forecast non-firm sales and additional transfers to IP3/Poletti	6.5	
	o Below forecast site O&M due mainly to maintenance underruns on the 765KV line	0.8	
	o Other	<u>0.9</u>	8.2
<b>Consolidating adjustments and other</b>			<u>1.5</u>
<b>Net Revenues - variance from forecast</b>			<u><u>\$16.8</u></u>

**NYPA  
Site O&M and Direct Charges  
Two Months Ended February 28, 1997**

(\$ in millions)

	<u>Actual</u>	<u>Forecast</u>
Niagara	\$5.7	\$5.5
St. Lawrence	3.7	3.1
Blenheim-Gilboa	2.6	2.6
Small Hydro	0.2	0.3
Indian Point - 3	25.0	23.2
Poletti	2.0	2.4
J.A. FitzPatrick	12.7	15.1
Flynn	0.6	0.9
Transmission	<u>2.3</u>	<u>3.1</u>
	<u>\$ 54.8</u>	<u>\$ 56.2</u>

The Operating Facilities are underrunning the forecast of \$56.2 million by \$1.4 million, or 2.4%. J. A. FitzPatrick is under budget by \$2.4 million (16.6%) due to credits related to the 1996 refueling outage (lower billings from GE than estimated in closing 1996), and timing differences in rad waste disposal charges. Transmission is underrunning \$0.8 million (or 25.8%), and Flynn is under budget by \$0.3 million (33.3%) due to temporary delays in maintenance. Poletti is under budget by \$0.4 million (16.6%) primarily due to labor shifted to support IP3 during its unscheduled outage. Indian Point 3 is overrunning forecast by \$1.8 million (or 7.8%) due to support for the feedwater heater outage, and purchases for the upcoming refueling outage. St. Lawrence's overrun of \$0.6 million (or 19.3%) is due to earlier than scheduled Bridge Repair work. Niagara is over budget by \$0.2 million (3.6%) primarily due to overruns in the asbestos removal project.

**NYPA  
Administrative Expenses  
Two Months Ended February 28, 1997**

(\$ in millions)

	<u>Actual</u>	<u>Forecast</u>
<b>Business Services</b>	\$4.6	\$4.2
<b>Nuclear Generation</b>	1.9	1.6
<b>Power Generation</b>	1.2	1.0
<b>Office of the COO</b>	3.1	4.7
<b>Office of the CEO</b>	1.5	1.8
<b>Marketing &amp; Economic Development</b>	0.8	1.0
<b>Transmission</b>	1.7	1.9
<b>Energy Efficiency</b>	<u>0.4</u>	<u>0.3</u>
	<u>\$15.2</u>	<u>\$16.5</u>

Administrative Expenses are \$1.3 million under forecast through February. The \$1.6 million underrun in the Office of the President/COO reflects a timing difference for 1997 FOCUS expenses, books and publications, and relocation spending. Marketing is \$0.2 million under budget due to minor underruns in payroll and miscellaneous expense. Transmission is underrunning the budget by \$0.2 million primarily in New York Power Pool fees. Business Services is \$0.4 million over budget as a result of timing differences for payments for EDP Services.

NEW YORK POWER AUTHORITY  
**COMPARATIVE STATEMENT OF NET ASSETS**  
 (IN THOUSANDS)

	FEBRUARY 28, <u>1997</u>	DECEMBER 31, <u>1996</u>	<u>NET CHANGE</u>
<b>ASSETS:</b>			
ELECTRIC PLANT IN SERVICE, LESS ACCUMULATED DEPRECIATION	\$3,204,610	\$3,225,273	(\$20,663)
CONSTRUCTION WORK IN PROGRESS	102,971	99,660	3,311
NUCLEAR FUEL, LESS ACCUMULATED AMORTIZATION	178,421	159,198	19,223
RESTRICTED FUNDS	540,461	490,059	50,402
CONSTRUCTION FUNDS	216,508	203,366	13,142
INVESTMENT IN DECOMMISSIONING TRUST FUND	476,143	464,934	11,209
<b>CURRENT ASSETS:</b>			
CASH	133	143	(10)
INVESTMENTS IN GOVERNMENT SECURITIES	272,126	296,848	(24,722)
INTEREST RECEIVABLE ON INVESTMENTS	14,618	17,553	(2,935)
RECEIVABLES-CUSTOMERS	153,054	148,212	4,842
MATERIALS & SUPPLIES-PLANT & GENERAL	74,569	73,421	1,148
-FUEL	7,651	11,979	(4,328)
PREPAYMENTS AND OTHER	77,631	75,557	2,074
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>			
PRELIMINARY INVESTIGATIONS	22,030	21,595	435
OTHER	214,641	216,953	(2,312)
<b>TOTAL ASSETS</b>	<u>5,555,567</u>	<u>5,504,751</u>	<u>50,816</u>
<b>LIABILITIES AND OTHER CREDITS:</b>			
LONG-TERM DEBT - BONDS	2,639,652	2,649,709	(10,057)
- NOTES	197,365	197,365	0
SHORT- TERM NOTES PAYABLE	239,850	219,850	20,000
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	191,962	188,687	3,275
SPENT NUCLEAR FUEL DISPOSAL	141,300	140,081	1,219
DECOMMISSIONING OF NUCLEAR PLANTS	456,089	444,708	11,381
DEFERRED REVENUE	162,445	163,408	(963)
<b>TOTAL LIABILITIES AND OTHER CREDITS</b>	<u>4,028,663</u>	<u>4,003,808</u>	<u>24,855</u>
<b>NET ASSETS</b>	<u>\$1,526,904</u>	<u>\$1,500,943</u>	<u>\$25,961</u>
ACCUMULATED NET REVENUES	\$1,500,943	\$1,395,461	105,482
NET REVENUES	<u>25,961</u>	<u>105,482</u>	<u>(79,521)</u>
<b>TOTAL</b>	<u>\$1,526,904</u>	<u>\$1,500,943</u>	<u>\$25,961</u>

**NEW YORK POWER AUTHORITY  
SUMMARY OF NET GENERATION (MWH'S)  
FOR THE TWO MONTHS ENDED FEBRUARY 28, 1997 AND 1996**

FACILITY	1997 ACTUALS	1997 FORECAST	VARIANCE (ACT vs FORE)	% CHANGE	1996 ACTUALS	VARIANCE (CUR vs PRIOR ACT)	% CHANGE
<u>NIAGARA</u>	<u>2,737,737</u>	<u>2,540,702</u>	<u>197,035</u>	<u>7.76%</u>	<u>2,375,616</u>	<u>362,121</u>	<u>15.24%</u>
ST. LAWRENCE	1,096,338	963,567	132,771	13.78%	1,027,416	68,922	6.71%
COMBINED	3,834,075	3,504,269	329,806	9.41%	3,403,032	431,043	12.67%
INDIAN POINT 3	586,554 (1)	820,800	(234,246)	-28.54%	0 (1)	586,554	
POLETTI	500,714	547,000	(46,286)	-8.46%	570,367 (3)	(69,653)	-12.21%
COMBINED	1,087,268	1,367,800	(280,532)	-20.51%	570,367	516,901	90.63%
J. A. FITZPATRICK	1,032,670	1,057,752	(25,082)	-2.37%	990,710 (2)	41,960	4.24%
BLENHHEIM GILBOA	(146,108)	(15,006)	(131,102)	873.66%	(123,893)	(22,215)	17.93%
SMALL HYDRO	34,835	30,916	3,919	12.68%	21,803	13,032	59.77%
R. M. FLYNN	174,053	209,105	(35,052)	-16.76%	200,778 (4)	(26,725)	-13.31%
<u>TOTAL</u>	<u>6,016,793</u>	<u>6,154,836</u>	<u>(138,043)</u>	<u>-2.24%</u>	<u>5,062,797</u>	<u>953,996</u>	<u>18.84%</u>

(1) Unscheduled maintenance outages September 14, 1995 - April 8, 1996 and January 18 - February 19, 1997.

(2) Unscheduled maintenance outages February 22 - March 7, 1996 and September 16 - October 6, 1996. Scheduled maintenance outage October 26 - December 13, 1996.

(3) Maintenance outage followed by reserve shutdown, March 16 - July 14, 1996. Reserve shut-down September 28 - December 9, 1996.

(4) Maintenance outage October 1 - December 31, 1996.

**NYPA  
Capital Expenditures  
Two Months Ended February 28, 1997**

	(\$ in millions)	
	<u>Actual</u>	<u>Forecast</u>
<b>Nuclear Facilities</b>	<b>\$1.8</b>	<b>\$1.9</b>
<b>Energy Conservation</b>	<b>5.4</b>	<b>16.1</b>
<b>Niagara Upgrade</b>	<b>1.4</b>	<b>1.9</b>
<b>General Plant and Minor Additions</b>	<b>1.1</b>	<b>1.2</b>
<b>Other</b>	<b><u>1.8</u></b>	<b>2.0</b>
	<b><u>\$11.5</u></b>	<b><u>\$23.1</u></b>

Year-to-date capital expenditures were \$11.5 million which was 50% under the forecast of \$23.1 million. Energy Conservation Program expenditures were below the forecast by \$10.7 million due to lower than anticipated expenditures for SENY Help, Public Housing, BOE Coal Conversion, and POCR Colleges and Universities programs. Nuclear facility underruns of \$0.1 million are primarily the result of delays in the JAF Auxiliary Boiler replacement, 3D Monicore, and Improved Feedwater Control projects partially offset by an overrun in Turbine Generator Rotor replacement task at IP3. Underruns in the Niagara Upgrade of \$0.5 million occurred due to timing differences in vendor services. Underruns in General Plant and Minor Additions of \$0.1 million were due to delays in planned equipment purchases. Underruns in Other Projects of \$0.2 million were a result of delays in WPO Renovation work.

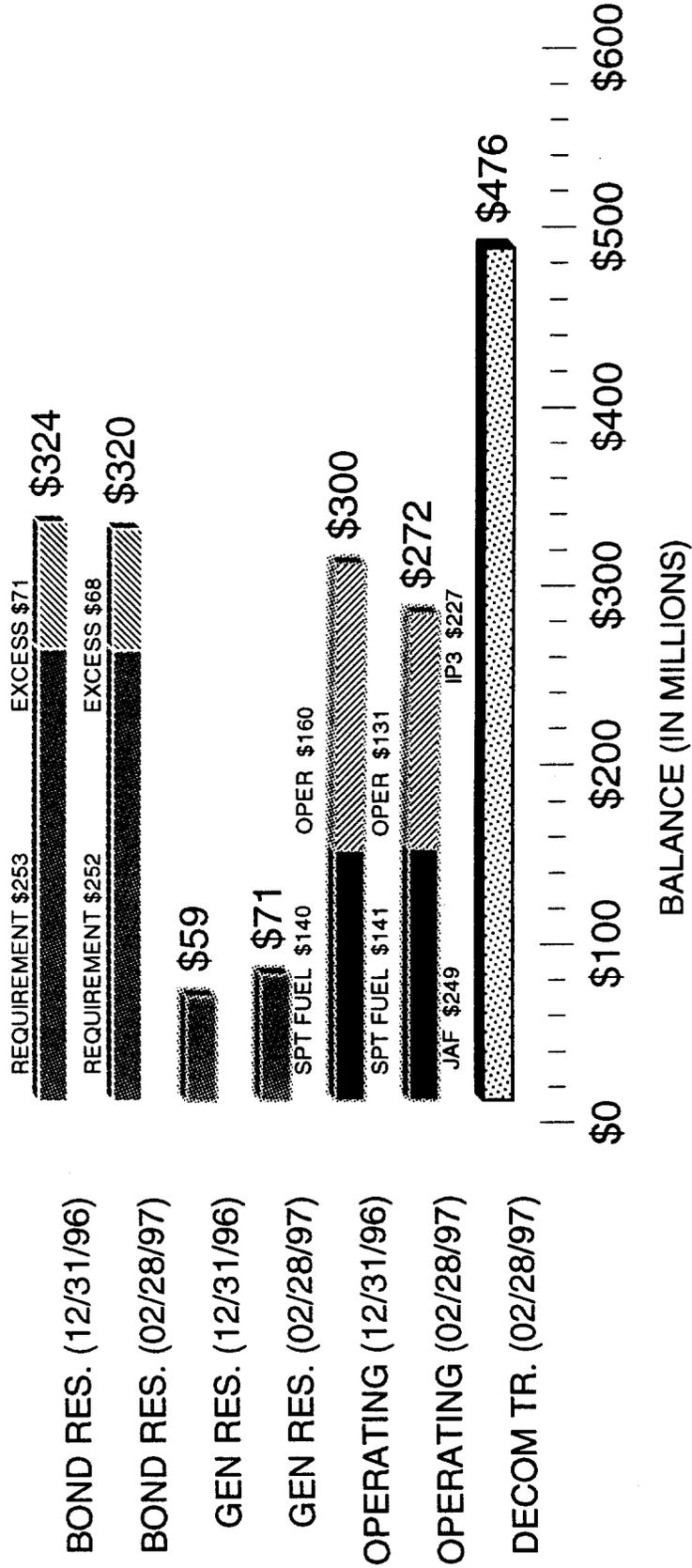
The President has not authorized any new capital expenditures year to date under the Expenditure Authorization Procedures.

Demand Side Management  
Financial report  
February 28, 1997  
(\$ in 000's)

**Cost Summary (Inception to Date):**

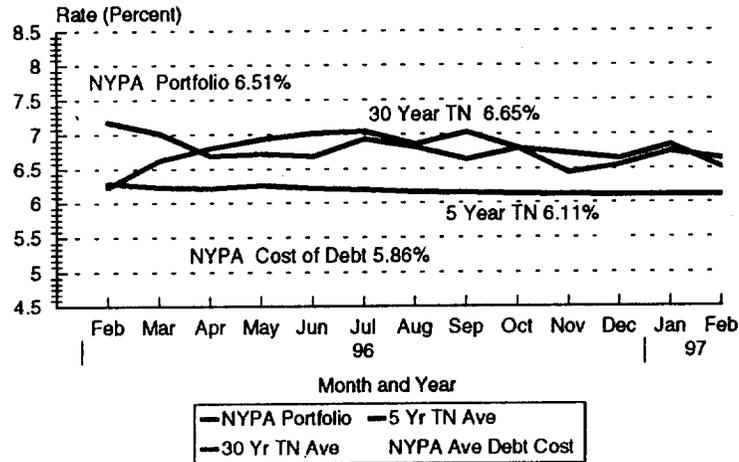
Authorized by Trustees	Program	(A) Projects In-Progress	(B) Completed Projects-Cost	(C) Cumulative Cost	(D) Recoveries to Date	(E) Costs yet to be recovered (C-D)
\$130,000	SENY HELP	\$24,166	\$84,887	\$109,053	\$46,934	\$62,119
60,000	Statewide	18,807	29,484	48,291	10,405	37,886
50,000	Public Schools	15,518	12,153	27,671	8,849	18,822
54,000	LI HELP	16,128	25,924	42,052	16,793	25,259
7,500	Wattbusters	766	5,011	5,777	3,341	2,436
15,000	SENY New Constr	1,718	254	1,972	26	1,946
14,600	Industrial	79	5,800	5,879	385	5,494
10,000	Electrotechnologies	5,937	0	5,937	0	5,937
20,000	County & Muni's	850	354	1,204	76	1,128
40,000	Public Housing	2,439	5,203	7,642	232	7,410
5,000	Coal Conversion	124	0	124	0	124
35,000	Non-Elect End Use	0	0	0	0	0
88,050	Long-Term Energy Part	0	0	0	0	0
4,025	Other	2,865	0	2,865	0	2,865
<u>\$533,175</u>		<u>\$89,397</u>	<u>\$169,070</u>	<u>\$258,467</u>	<u>\$87,041</u>	<u>\$171,426</u>

**NEW YORK POWER AUTHORITY  
STATUS OF RESERVES  
AS OF FEBRUARY 28, 1997**

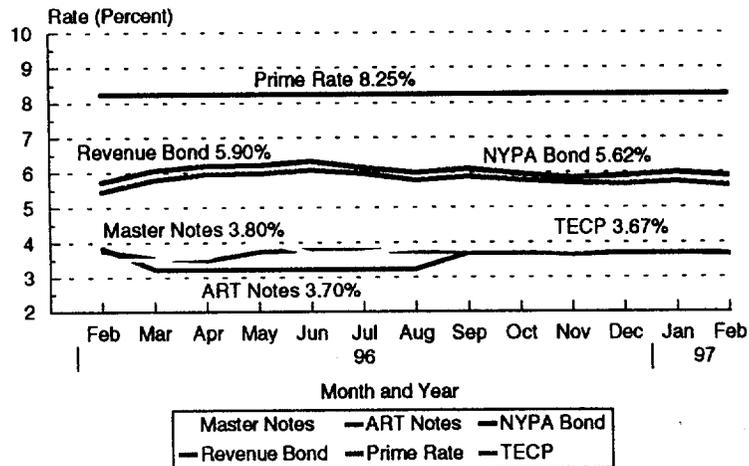


# NEW YORK POWER AUTHORITY

## Portfolio Performance



## Financing Rates



File:MoRates

# NUCLEAR LONG TERM STAFFING RESOURCES

(excludes short term contractors and outage craft)

BASELINE (May-94)		Jan-96	Feb-96	Mar-96	Apr-96	May-96	Jun-96	Jul-96	Aug-96	Sep-96	Oct-96	Nov-96	Dec-96	Jan-97	Feb-97
JAF	795	693	689	688	690	690	690	692	691	695	691	694	690	690	687
IP3	789	649	653	667	671	674	672	672	670	662	665	679	678	697	714
HQ	483	428	439	444	443	446	450	445	450	451	475	479	482	507	536
<b>TOTAL</b>	<b>2067</b>	<b>1770</b>	<b>1781</b>	<b>1799</b>	<b>1804</b>	<b>1810</b>	<b>1812</b>	<b>1809</b>	<b>1811</b>	<b>1808</b>	<b>1831</b>	<b>1852</b>	<b>1850</b>	<b>1894</b>	<b>1937</b>

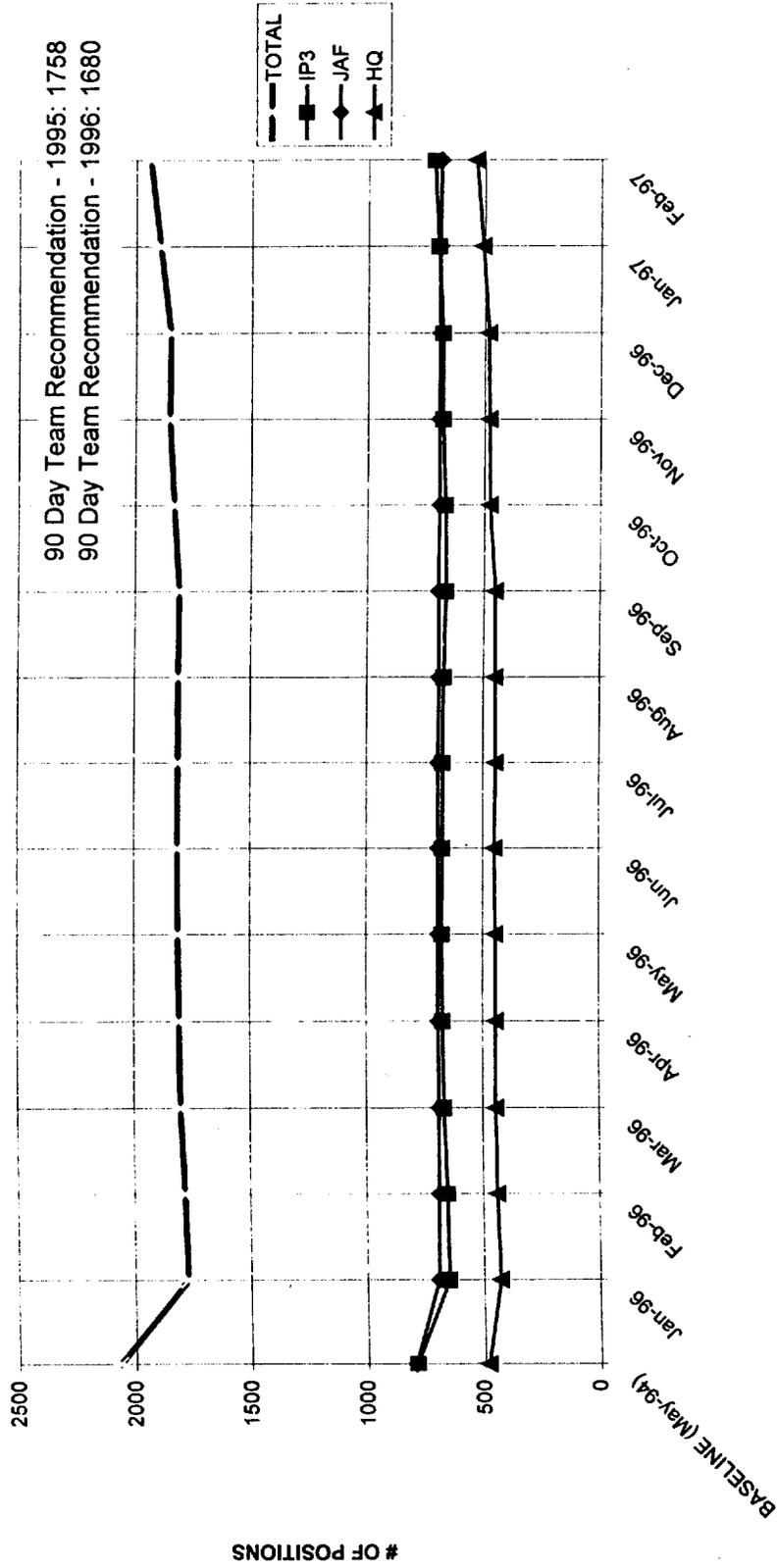


Chart shows authorized positions including vacancies. Total filled positions @ 2/28/97 is 1866  
Regulatory organization included in non-nuclear HQ, consistent with 90 Day Study.  
Q/A authorized staff not included above @ 2/28/97 were 13, 30, and 31 at HQ, IP3, and JAF, respectively.

March 25, 1997

3. **Report from the President & Chief Operating Officer**

**Report to the Trustees from the Nuclear Advisory Committee**

*Nuclear Advisory Committee Chairman James Asselstine stated that the Committee Members wish to recognize the valuable contributions made by Mr. William Cahill during his tenure at the Authority. Committee Chairman Asselstine then summarized the Committee's last two meetings, held in mid-December, 1996 in New York and on March 21, 1997 at IP3, respectively.*

*In December, the Committee members reviewed operating performance and engineering backlog issues; NYPA's planned submittals to the NRC in connection with the Final Safety Analysis Reports ('FSAR'); the upcoming INPO evaluation of JAF; and Refueling Outage plans for IP3. At the March meeting, the Committee Members reviewed, among other things, recent operating performance; the FSAR responses; IP3 Outage planning; and the JAF assessment conducted by INPO/WANO ('World Association of Nuclear Operators').*

*Committee Chairman Asselstine expressed the Committee's opinion that the nuclear leadership team, newly reinforced by Mr. Knubel, has demonstrated strength and stability. The Committee feels that both plants are on a positive trend: with respect to JAF, the Committee Members have observed continued improvement, as evidenced by the INPO performance indicators. With respect to IP3, the Committee noted the plant's successful period of operations and a decrease in its maintenance backlog.*

*Future challenges for the Authority's nuclear program include meeting the increasingly rigorous industry-wide expectations of the NRC; meeting the ambitious program goals that the nuclear management team has set for JAF; and having IP3 removed from the NRC Watch List. The outcome of the latter goal will depend on how the NRC perceives the plant's progress with planning and implementing the early phases of the refueling outage.*

March 25, 1997

*The Committee believes that all the necessary objectives and targets of NYPA's nuclear program are achievable by NYPA staff and the Committee members have been and continue to offer a number of concrete suggestions and recommendations to senior nuclear management.*

*In response to questions from Trustee Waldbauer, Mr. Asselstine outlined the usual processes followed by the NRC in connection with placing plants on or removing them from its Watch List. In response to questions from Vice Chairman Frey, Mr. Asselstine explained that IP3 has been able to defer the refueling outage to a slightly later date than originally planned as a result of a number of milestones which had been achieved by plant staff during an unplanned outage early in the year.*

March 25, 1997

4. **Amendment to Nuclear Decommissioning Trust Investment Guidelines**

The President submitted the following report:

**SUMMARY**

"The Trustees are requested to approve amendments to the Nuclear Decommissioning Trust ('Trust') Investment Guidelines to authorize the use of equity securities and tax-exempt ('municipal') securities, and to allow limited investment in A-rated fixed-income securities.

**BACKGROUND**

"At their meeting of June 26, 1990, the Trustees authorized the formation of the Trust, and the two Funds thereunder, and approved a Master Trust Agreement. As part of the Master Trust Agreement, the Trustees approved the guidelines for the investment of the Trust Funds. The guidelines limited investments to a broad range of high quality government, corporate, and foreign securities and allowed for the use of futures and options.

**DISCUSSION**

"Applicable Federal guidelines now allow qualified nuclear decommissioning trust funds to be invested in equity securities with the potential for higher returns. The revised investment rules will enable utilities to increase the size of decommissioning funds more quickly and improve prospects that adequate funds will be available to meet escalating decommissioning costs in the future. The credit rating agencies have also recognized the need for companies to lower their costs in a competitive environment, and recognize that prudent investing in common stocks offer an opportunity to increase returns and lower costs.

"Historically, equities have outperformed long-term bonds, and for the period from 1926 through 1996 common stocks, as measured by the S & P 500 index, have returned 10.7% compared to 5.10% from long-term bonds. Since 1990 when the Trust Funds were established, equities have returned 14.4%, as compared to an annualized rate of return of 8.6% for government/corporate bonds while the Authority's Trust Funds have returned 9.6%.

"Had 25% of the Authority's Trust Fund's assets been invested in equities, the Authority would have earned an additional \$32 million from 1990 to 1996. The additional 1% increase in annual returns that can be expected by adding equities to the Trust Funds, between now and license expiration and decommissioning of the Authority's nuclear facilities, could add as much as \$170 million to earnings.

"The Authority will initially invest \$5 to \$10 million in an S & P Index Fund and gradually contribute to the Trust Funds to bring equities up to 25% of total assets over the next two to three years. This is in recognition that the Stock Market and the S & P Index are currently at all-time highs.

"The Authority is also recommending that up to as much as 20% of the Trust Fund's fixed income investments be allowed to be invested in bonds carrying an A credit rating, but that the overall fund rating not be allowed to drop below AA. This would allow the composition of the Trust Funds to be more closely aligned to the Shearson Lehman Aggregate Index, the benchmark against which their performance is judged. A-rated bonds are the largest universe of investment grade bonds in the market and are represented by names like General Motors, Philip Morris and IBM Corporation.

March 25, 1997

"The Trustees are also requested to approve the use of municipal securities in the Trust Funds. This will allow the Trust Funds managers to take advantage of values that exist in the municipal market compared to government and corporate securities.

"Staff recommends that the Trustees approve the attached guidelines (Exhibit '4-A') to allow investment of up to 25% of the Trust Funds' assets in equity securities, 20% of the Trust Funds' assets fixed income securities in bonds having a credit rating of A, and the use of municipal bonds in the Trust Funds so long as the overall credit rating of the portfolio is maintained at AA. The Trustees will annually receive a report on the Trusts Funds' performance.

#### RECOMMENDATION

"The Treasurer recommends that the Trustees approve the attached investment guidelines as an amendment to the Master Trust Agreement approved on August 26, 1990.

"The General Counsel, the Senior Vice President - Business Services and I concur."

*Trustee Waldbauer requested that staff include specific information concerning these types of investments in the quarterly reports which are submitted to the Trustees. Mr. Collins responded that future reports will clearly reflect that area of investment activity.*

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED, That the investment guidelines for the Authority's Nuclear Decommissioning Trust be modified to read in their entirety as set forth in Exhibit "4-A", attached hereto; and be it further**

**RESOLVED, That the Treasurer be, and hereby is, authorized to do and perform or cause to be done and performed in the name and on behalf of the Authority, all other acts, to execute and deliver or cause to be executed and delivered all other notices, consents, approvals and agreements, necessary or advisable to effectuate the extent of the foregoing resolution.**

## **PERMITTED INVESTMENTS**

### **Notes and Bonds**

1. Obligations of the U. S. Government, and of an agency of the U. S. Government, directly guaranteed or insured by the U. S. Government or de facto guaranteed by the U. S. Government, including without limitation the Federal National Mortgage Association, acting without specific U. S. Government guarantees as obligors or as trustees for obligations of affiliation or subsidiary entities, and including notes insured by the Farmers Home Administration.
2. Direct obligations payable in U. S. dollars of the International Bank for Reconstruction and Development (World Bank), and obligations guaranteed by the IBRD and payable in U. S. dollars.
3. Bonds of the Inter-American Development Bank.
4. Obligations at the time of their purchase, rated in the top three credit categories by at least two nationally recognized credit rating agencies, securities rated A are limited to 20% of the total fixed income portfolio, and payable in U. S. dollars of:
  - (a) U. S. transportation, utilities, industrial, commercial, or financial companies.
  - (b) U. S. Government agencies not included under (1) above.
  - (c) Private placements
  - (d) Eurodollar obligations
  - (e) Obligations of state and local governments
5. Governments other than the United States, other foreign governmental and public sector agencies, international organizations and agencies (Yankee Bonds). Rated A or better.
6. Mortgage Pass-Through Obligation, Collateralized Mortgage Obligations and Corporate Mortgage Obligations rated AA or better.

### **Money Market Securities**

7.
  - (a) Commercial Paper rated A1 or P1.
  - (b) Certificates of Deposits, Eurodollar Certificates of Deposit and Banker's Acceptances of domestic banks with A+ rating or better.
  - (c) Certificates of Deposit, Eurodollar Certificates of Deposit, and Banker's Acceptances of foreign banks with an A rating or better, denominated in dollars (Yankees).
  - (d) Repurchase agreements, provided they are:
    - (1) Purchased from dealers on the Federal Reserve Reporting Dealer list.
    - (2) Fully collateralized by permitted investments, marked to market daily and are held in our custody.
  - (e) Short-term pooled investment accounts or 'sweep accounts'.

### **Foreign Securities**

8. Obligations of governments other than the United States, other foreign governmental and public sector agencies, international organizations and agencies rated A or higher, and deemed by the investment manager to be of investment grade credit quality, denominated in currencies other than U. S. Dollars. No more than 20% of the market value of the portfolio may be invested in non-dollar denominated Fixed-Income securities. No more than 5% of the market value of the portfolio may be exposed to foreign currency fluctuation, i.e. must be hedged into U. S. dollars.
9. Certificate of Deposit and Bankers Acceptances of foreign banks with net worth in excess of \$1 billion, denominated in currencies other than U. S. Dollars.

### **Future, Forwards and Options**

10. Futures and options for fixed income securities, traded on public exchanges and over-the-counter with the 50 largest international and 25 largest U. S. banks in asset size and leading U. S. and foreign brokers and dealers. Forward transactions with these institutions are also permitted. Options and/or futures may not exceed 10% of the portfolio.

### **Equity Securities**

11. Up to 25% of the assets (at cost) maybe invested in a diversified portfolio of equity securities, managed to meet or exceed the overall market as measured by the S & P 500 Index.

### **Portfolio Restrictions**

Investments in the above-mentioned securities are limited by the following:

More than 5% of the portfolio may not be invested in the securities of any one issuer with the exception of U. S. government/agency securities. No more than 25% of the portfolio may be invested in securities of issuers in the same industry, no more than 20% of the portfolio maybe invested in municipals, and no more than 20% in notes, bonds and foreign securities rated A, and the overall rating of the fixed income portion of the portfolio must be maintained at all times at AA.

March 25, 1997

**5. Selection of Audit Committee Members**

The Chairman submitted the following report:

**SUMMARY**

"In accordance with the By-laws of the Power Authority of the State of New York, as amended December 17, 1996, and the Charter of the Audit Committee, adopted December 17, 1996, the Trustees are requested to select Hyman M. Miller and Louis P. Ciminelli as members of the Audit Committee, effective March 25, 1997.

**BACKGROUND**

"At their meeting of December 17, 1996, the Trustees approved a resolution adding a new Section 3 to Article V of the By-laws of the Authority, which provided for the establishment of an Audit Committee consisting of two Trustees, other than the Chairman.

"The Charter of the Audit Committee, also adopted at December 17th meeting, provides that neither Audit Committee member may serve as Chief Executive Officer or in any other position of Authority management. Audit Committee members are to be selected from eligible Trustees by vote of the Trustees. Audit Committee members shall serve for a period of two years subject to their term of office, and may be reelected to serve for additional periods of one year subject to their term.

**DISCUSSION**

"Trustees Hyman M. Miller and Louis P. Ciminelli have expressed their willingness to serve on the Audit Committee. I recommend their selection in accordance with the provisions of the Charter."

**RECOMMENDATION**

The attached resolution, as recommended by the Chairman, was adopted with Trustees Miller and Ciminelli abstaining.

**RESOLVED, That Hyman M. Miller and Louis P. Ciminelli are hereby selected as members of the Audit Committee, effective March 25, 1997.**

6. **Establishment of Standards of Conduct for Power Authority Transmission Operations**

The President submitted the following report:

**SUMMARY**

"The Trustees are requested to adopt and authorize the filing with the Federal Energy Regulatory Commission ('FERC') by April 1, 1997 of Standards of Conduct to assure the complete independence and separation of the Authority's transmission system operation from its merchant activities.

**BACKGROUND**

"At their meeting of December 17, 1996, the Trustees approved the filing of a new open access transmission tariff. The tariff was submitted to FERC on December 30, 1996. The proposed establishment of standards of conduct would augment the December 30th filing and assure that the Authority could receive reciprocal transmission service from the other NYPP member systems and utilities outside New York.

**DISCUSSION**

"As has been discussed recently in previous memoranda to the Trustees, FERC has been vigorously encouraging open access to the entire transmission system in the United States in order to encourage competition in the generation sector of the electric industry. To this end FERC issued two orders on April 24, 1996. The first was Order 888, pursuant to which the Authority filed the tariff approved at the December meeting. The tariff was intended to assure reciprocal access for the Authority to the transmission facilities of others. Also pursuant to Order 888, the New York Power Pool submitted a series of agreements and tariffs, approved by the Authority at the January 1997 meeting. These were filed with FERC the end of that month and were intended to create an Independent System Operator for the statewide transmission system.

"The second order issued last April 24 was Order 889, which established a number of non-tariff requirements which FERC felt would enhance the opportunities for greater competition.

"While it was clear from Order 888 that reciprocal use of the transmission systems of others would require utilities not subject to FERC jurisdiction ("non-jurisdictional utilities") to file an open access tariff in accord with FERC's *pro forma* tariff, it was not completely clear whether FERC would also require non-jurisdictional utilities to file standards of conduct to provide for a functional unbundling of transmission and marketing functions.

"It was also unclear in Orders 888 and 889 whether non-jurisdictional utilities must, in order to gain reciprocity, post the availability and transactions on an Open Access Same-Time Information System ('OASIS'). However, as a member of the New York Power Pool, which is subject to FERC jurisdiction, this was not an issue for the Authority since all members of the Pool were required to participate. The Authority did so eagerly and is now among the heaviest users of OASIS in the state.

"In its Order 889-A, issued March 4, 1997, FERC clarified what it had intended for non-jurisdictional utilities with regard to standards of conduct and OASIS in its original Order 889:

March 25, 1997

[W]e concluded [in Order 888] that we would not directly assert jurisdiction over non-[jurisdictional] public utilities under § 311 of the Federal Power Act (FPA) to insure compliance with OASIS requirements, including the requirement to comply with the standards of conduct.

[A]bsent a waiver, the obligation to provide reciprocal, non-discriminatory services necessarily commits the customer of open access service, even if not a public utility, to abide by the OASIS and standards of conduct requirements.

[ I]t would not serve the public interest to compel public utilities to have OASIS nodes and to functionally unbundle their wholesale merchant functions from their transmission operations and reliability functions, while allowing non-public utilities that seek open access from a public utility to evade these responsibilities.

This Order means prompt action is required on the adoption of standards of conduct.

“The draft Standards of Conduct that are attached hereto as Attachment A do not represent all that the Authority has done or will do to separate its merchant and transmission functions. Based on the standards of conduct filed by other utilities, this is a simple outline of the procedures to be followed. It is anticipated that this will be followed by specific guidelines implementing the Standards, promulgated by the Staff, as well as extensive training of personnel to insure adequate implementation. Personnel have already been transferred and there have been reassignments of reporting responsibilities and clearer delineation of functions within the Transmission Business Unit.

#### FISCAL INFORMATION

“Implementation of the proposed standards of conduct would not result in significant additional expense for the Authority.

#### RECOMMENDATION

“The Senior Vice President - Transmission recommends that the Trustees authorize the approval of the standards of conduct for operating the Authority’s transmission facilities.

“The General Counsel, the Senior Vice President - Marketing and Economic Development, the Senior Vice President - Business Services, and I concur in the recommendation.”

The attached resolution, as recommended by the President, was unanimously adopted.

**BE IT RESOLVED, That the Authority adopt Standards of Conduct attached hereto as Exhibit “6-A” to assure the complete independence and separation of its transmission system operations from its electric merchant provisions described in the attached memorandum of the President; and be it further**

**RESOLVED, That the Chairman, President, and Senior Vice President-Transmission are, and each hereby is, authorized to implement the Standards of Conduct hereby adopted and amend and supplement such Standards of Conduct as such officers may deem necessary and advisable; and be it further**

March 25, 1997

**RESOLVED, That the Chairman, President, and Senior Vice President-Transmission are, and each hereby is, authorized to file, on behalf of the Authority, any documents setting forth the Standards of Conduct and any documents relating thereto with the Federal Energy Regulatory Commission.**

## STANDARDS OF CONDUCT FOR THE NEW YORK POWER AUTHORITY

The New York Power Authority (NYPA) has developed these Standards of Conduct to assure the complete independence and separation of its electric transmission system operations from its electric merchant activities. The provisions of this Standard shall be communicated to all NYPA personnel involved in the marketing of power or in transmission service.

### I. DEFINITIONS

1. "Commission" means the Federal Energy Regulatory Commission.
2. "NYPA" means New York Power Authority.
3. "Wholesale Merchant Functions" mean the sale for resale, or the purchase for resale, of electric energy in interstate commerce.

### II. GENERAL RULES

1. NYPA employees engaged in transmission operation must function independently of NYPA employees who engage in Wholesale Merchant Functions with the following exceptions:
  - A. During emergency situations affecting system reliability, employees engaged in transmission system operations may take whatever actions are necessary to keep the system in operation;
  - B. Employees engaged in transmission system operations may perform the function of hourly energy purchasing to meet own load that is the most economically beneficial.
  - C. When the employees who are engaged in Wholesale Merchant Functions are not available (between the hours of 6:00 p.m. and 8:00 a.m. weekdays and all hours on weekends, the employees engaged in transmission operations may perform hourly sales of generation in order to prevent the wasting of hydraulic resources.

### III. RULES GOVERNING EMPLOYEE CONDUCT

1. **Prohibitions** - NYPA employees engaged in Wholesale Merchant Functions are prohibited from conducting transmission system operations and reliability functions. Such employees shall not have access to the system control center or similar facilities used for transmission operations or reliability functions that differs in any way from the access available to other open access transmission customers.

2. **Transfers** - NYPA employees engaged in either Wholesale Merchant Functions or transmission system operations or reliability functions may be transferred between such functions, provided that such transfer is not used as a means to circumvent these Standards of Conduct. NYPA shall post a notice on OASIS (in accordance with 18 CFR §37.6(g) (3)) of any transfer of an employee between NYPA's transmission system operations or reliability functions and the Wholesale Merchant Functions of NYPA. The notice shall include the name of the transferring employee, the employee's titles before and after the transfer, and the effective date of the transfer. The notice shall remain posted on OASIS for 90 days.
3. **Information Access** - NYPA employees engaged in Wholesale Merchant Functions shall have access to information relating to NYPA's transmission system only to the extent that such information is available to NYPA's open access transmission customers through OASIS and shall not have preferential access to information regarding NYPA's transmission system that is not available to all users of OASIS. Such employees are prohibited from obtaining information about NYPA's transmission system (including information about available transmission capability, price, curtailments, ancillary services, and the like) that is not available to all customers on OASIS, or that is not otherwise available to the general public without restriction.
4. **Disclosure** - No NYPA employee engaged in transmission system operations or reliability functions may disclose to NYPA employees engaged in Wholesale Merchant Functions any information concerning NYPA's transmission system or any other company's transmission system (including information received from non-affiliates or information about available transmission capability, price, curtailments, ancillary services, etc.) through non-public communications conducted off of OASIS, through information not posted on OASIS that is not simultaneously available to the general public without restriction, or through information on the OASIS that is not simultaneously publicly available to all OASIS users (such as through E-Mail).

If a NYPA employee engaged in transmission system operations or reliability functions violates the Standards of Conduct by disclosing information which is not posted on OASIS, such information shall immediately be posted on OASIS.

NYPA may not share with NYPA employees engaged in Wholesale Merchant Functions any market information which is acquired from non-affiliated transmission customers or potential non-affiliated transmission customers or which is developed in the course of responding to requests from transmission or ancillary service on OASIS, except to the limited extent that such information is required to be posted on OASIS in response to a request for transmission service or ancillary service.

5. **Tariff Implementation** - NYPA employees engaged in transmission system operations or reliability functions must strictly enforce all tariff provisions relating to the sale or purchase of open access transmission service, unless the tariff expressly permits the exercise of discretion.

Where the tariff allows NYPA employees to exercise discretion with respect to their operation of the transmission system, such employees shall apply all tariff provisions relating to the sale or purchase of open access transmission service in a fair and impartial manner that treats all customers including NYPA in a non-discriminatory manner.

NYPA shall maintain a log detailing the circumstances and manner in which such discretion is exercised under the tariff. The log shall be available for audit by the Commission. Emergency actions that result in any deviation from the Standards Of Conduct will be reported to FERC and posted on the OASIS within 24 hours.

NYPA shall not, through its tariffs or otherwise, give a preference to its wholesale purchases or sales on behalf of the power customers of NYPA over the interests of any other wholesale customer in matters relating to the sale or purchase of transmission service (including issues of price, curtailments, scheduling, priority, ancillary services, etc.), except as permitted by Order No. 888 with respect to native load (Order No. 888, page 172).

All NYPA offers of discounts for transmission service and /or ancillary services will be posted on the OASIS. NYPA will only consider customer-initiated requests for discounts of transmission and /or ancillary services that occur solely from postings on the OASIS, regardless of whether the customer is NYPA acting in its merchant function or a non-affiliated customer. The details of all discounts made by NYPA will be immediately posted on the OASIS.

#### **IV. ADMINISTRATION**

NYPA's Law Department shall advise and counsel with respect to matters arising under these Standards of Conduct. The Standards Of Conduct shall remain in effect as long as FERC regulation 18 CFR Part 37 remains in effect. This regulation currently does not have an expiration date. The Standards Of Conduct shall be revised as necessary to remain in compliance with FERC regulations. Any changes to the Standards Of Conduct shall be promptly filed with FERC and affected employees shall be notified.

#### **V. PUBLIC ACCESS**

NYPA shall make a copy of these Standards of Conduct available to the public together with its open access transmission tariffs at its office at 1633 Broadway, New York, New York and at its System Operations Department at 6520 Glass Factory Road, Marcy, New York.

#### **VI. EMPLOYEE TRAINING AND COMPLIANCE**

All employees who engage in either transmission system operations or in Wholesale Merchant Functions must sign an acknowledgement of willingness to comply with these Standards of Conduct. NYPA will undertake training to ensure that all employees engaged in these

functions are fully familiar with these Standards of Conduct and with any procedures implementing them.

Effective Date: March 25, 1997

**EMPLOYEE STATEMENT OF COMPLIANCE**

I \_\_\_\_\_ (employee name)  
have read and understand these Standards of Conduct and will comply with the provisions  
stated above.

\_\_\_\_\_  
Signature of Employee

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Supervisor

\_\_\_\_\_  
Date

7. **Indian Point 3 Nuclear Power Plant - Refueling Equipment Upgrade: Polar Crane, Manipulator Crane and Fuel Transfer System - Expenditure Authorization**

The President submitted the following report:

**SUMMARY**

"The Trustees are requested to authorize the expenditure of \$4,700,000 for Refueling Equipment Upgrades at the Indian Point 3 Nuclear Power Plant ('IP3') to include: 1) Fuel Transfer System, 2) Manipulator Crane and 3) Polar Crane. These three pieces of equipment will receive extensive electrical and mechanical upgrades which will improve their reliability and improve fuel handling safety. Each piece of equipment has a history of component failure during refueling outages. A review of the refueling logs indicates that there have been on average 2½ days of delays during the refueling operation and an additional ½ day of delays related to Polar Crane activities during each of the past four outages which were directly related to equipment failure. These upgrades will resolve equipment design problems which have contributed to these equipment failures and resolve component obsolescence issues. Westinghouse has successfully installed the proposed modification at many other nuclear power plants.

**BACKGROUND**

"When a refueling outage begins, the Polar Crane removes the reactor head and places it aside. The manipulator crane is then used to remove the fuel bundles from the core and load them into the fuel transfer cart. The fuel transfer system then transports the fuel from the reactor cavity through the fuel transfer canal into the fuel storage building for interim storage during the outage. This process is then reversed during the refueling process. The components of the manipulator crane and fuel transfer system that come in contact with the fuel operate underwater to minimize radiation exposure from the fuel and provide nuclear safety.

"The plant has experienced numerous breakdowns with this equipment. Due to IP3's previous experience with equipment failures during refueling operations, an underwater diver is normally placed 'on call' to perform any required repairs on the fuel transfer equipment as needed during the transfer process as a precautionary measure. The existing equipment has proven to be unreliable, costly to maintain and adversely impacts the length of the refueling operation. Modern control systems allow refueling operations at many of the newer nuclear facilities to be performed much more efficiently while still maintaining all nuclear safety measures. The proposed upgrades will modernize both the Manipulator Crane and Fuel Transfer System, eliminate some maintenance and safety issues and allow future refueling operations to be performed more efficiently.

"The Polar Crane is a crucial piece of equipment in containment, and typically controls the critical path for all activities within containment. It is required to move the reactor head, reactor internals, move major pieces of equipment within containment and provide lifting assistance to maintenance crews while working on various pumps and motors. The control pendant for the Polar Crane is currently suspended from a leg of the crane which limits the operators mobility to see the load he is moving. The incoming wires and internal switching of the control is in poor condition and would require extensive maintenance to restore it to a reliable condition. Further, this control system is a basic on-off / fast-slow controller which does not offer the improved speed control available with today's technology which would improve load handling. There have been instances where the crane has malfunctioned during critical maneuvers causing management concerns and extensive delays. During most of the critical lift operations, the crane operator cannot actually see the load and relies on the

guidance of a signalman to act as his eyes, providing direction to position the crane and make the lift. This is a cumbersome process susceptible to mis-communication which can possibly lead to load damage.

## DISCUSSION

- 1) **Fuel Transfer System \$1,500,000** : The upgrade on the Fuel Transfer System involves replacing the 'Submersed Air Drive Motor' with an 'Above the Water Line Electric Motor' in conjunction with a Redundant Cable Drive System and redundant underwater proximity switches. This upgrade replaces all of the components that have exhibited high failure rates in the past with reliable, industry proven components. This upgrade will also eliminate the need to have an underwater diver on standby to perform maintenance activities which may result in unnecessary exposure and extended downtime. The redundant drive cables and proximity switches will allow the Fuel Transfer System to continue to operate so that a fuel move can be completed prior to making repairs, improving personal safety and productivity.
- 2) **Manipulator Crane \$1,800,000**: The Manipulator Crane will also receive extensive upgrades to improve its reliability and safety. New variable speed motor controls for the bridge, trolley and hoist will be installed. In addition, a collision avoidance system, Bridge, Trolley and Hoist Position Encoder System, In Mast Underwater TV camera, and a new control system that will allow manual, semi-automatic and fully automatic fuel movement is included. An In-mast sipping device will also be installed which will sip fuel bundles while being transported; this will eliminate the labor intensive fuel sipping operation which is usually performed in the Fuel Storage Building. This upgrade will improve the reliability of the equipment as well as improve the safety and efficiency of fuel movement operations. The collision avoidance system will prevent a possible collision with the Polar Crane during simultaneous maneuvers. The Position Encoder System allows the operator to preselect a targeted fuel bundle location within the vessel and the refueling machine will automatically drive itself to the correct location. The In Mast TV camera allows the operator to see the fuel gripper grasp a fuel assembly which is 60 feet underwater. This camera will allow the operator to verify a complete grip on the correct assembly prior to removal.
- 3) **Polar Crane \$1,400,000**: The 175 Ton Polar Crane will have its control system upgraded with new adjustable frequency motor drives which will ramp the speed of the crane for smoother load moves (less pendulum type swinging). This crane will also have a new pendant operator installed along with radio controls to improve the operator's control of the load movements. A trolley positioning system will be installed to allow the crane operator to precisely position the trolley for critical lifts. A load weighing system will also be installed providing the crane operator with load condition information which will allow the operator to determine if the load is being lifted freely or is being restricted.

"Consideration has been given to the possibility of delaying the installation of the Polar Crane Upgrades to reduce 1997 expenditures by \$800,000 and reduce the potential risk associated with the work not being completed in a timely manner, impacting this outage. The possibility of installing these upgrades during a future forced outage was explored; however the chances of having a forced outage which will not require the use of the Polar Crane is small. The time required to mobilize a crew and perform the installation would span approximately four weeks. Deferring installation to a future refueling outage also was explored. Future refuel outages are planned for 35 days or less, thus deferring installation would significantly extend a future outage (~10 days). Installation can be accomplished during this refuel outage (May 1997) with minimal impact on the outage

duration. For these reasons, the staff's recommendation is to install the upgrades during the upcoming refuel outage planned for May 1997.

"It is estimated that 2½ days of refueling equipment downtime will be eliminated, fuel movement productivity will improve by ½ day due to increased equipment speeds, and Polar Crane reliability will improve by an additional ½ day not related to refueling activity for a total of 3½ days improvement to critical path. For the short-duration outages planned for the future, refueling will be the critical path of the outage. With the reduction of equipment downtime and the increased speed of the manipulator crane; 3½ days of critical path time will be saved, which would equate to savings per outage of \$2,650,000 (based on \$500,000 per day in purchased power and \$250,000 per day in expenses). These upgrades have been successfully installed in many other Westinghouse PWR plants of similar design, improving both the reliability of the equipment and refuel outage performance.

FISCAL INFORMATION

"The Indian Point 3 Improvement Project Proceeds Account has a current balance of \$129.9 million of which \$98.4 million is available to fund this request and additional tasks, not yet authorized, identified in the Capital Plan. Based upon current cash flow projections, funds are available through the year 2006. Thereafter, funding will be from the General Reserve or Bond Fund Reserve Accounts. Payment will be made from the appropriate Construction Fund - Indian Point 3 Improvement Project Proceeds Account.

RECOMMENDATION

"The Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Engineering and Project Management, the Vice President - Nuclear Operations, and the Chief Nuclear Officer recommend that the Trustees approve capital expenditures in the amount \$4,700,000 for the refueling Equipment Upgrades.

"The Vice President - Controller, the General Counsel, the Senior Vice President - Business Services, and I concur in the recommendation."

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED, That expenditures are hereby approved in accordance with the Authority's Expenditure Authorization Procedures, as recommended in the foregoing report of the President, in the amount and for the purpose listed below:**

<u>Capital</u>	<u>Expenditure Authorization</u>
Indian Point 3 Nuclear Power Plant	
Refueling Equipment Upgrade	<u>\$ 4,700,000</u>

8. **Procurement (Services) Contracts - James A. FitzPatrick and Indian Point 3 Nuclear Power Plants; Headquarters and Non-Nuclear Facilities - Awards**

The President submitted the following report:

**SUMMARY**

"The Trustees are requested to approve the award and funding of the multi-year procurement contracts listed in Exhibit '8-A' for the James A. FitzPatrick ('JAF') and Indian Point 3 ('IP3') Nuclear Power Plants, Headquarters, and non-nuclear facilities. A detailed explanation of the nature of such services, the basis for the new awards, and the intended duration of such contracts are listed in the discussion below.

**BACKGROUND**

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"In accordance with the Authority's Expenditure Authorization Procedures, the award of non-personal services contracts in excess of \$3,000,000, as well as personal services contracts in excess of \$1,000,000 if low bidder, or \$500,000 if sole source or non-low bidder, require Trustees' approval.

**DISCUSSION**

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods in support of refueling and other outages, or if special expertise is required that is not available within the Authority.

"The terms of these contracts will be more than one year, therefore the Trustees' approval is required. All of these contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination. Approval is also requested for funding all contracts, ranging in estimated value from \$18,000 to \$460,000.

"These contract awards do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract awards will be correspondingly reduced.

"The issuance of multi-year contracts is recommended from both a cost and efficiency standpoint. In many cases, reduced prices can be negotiated for these longer term contracts. Since these services are typically required on a continuous basis, it is more efficient to award longer term contracts than to rebid these services annually.

**CONTRACTS IN SUPPORT OF THE NUCLEAR FACILITIES:**

"The contract with **Alternative Pest Control (C96-16828)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide exterminating services on a monthly and an 'as needed' basis for various buildings and locations at IP3. At their meeting of September 24, 1996, the Trustees had approved an award to A-All Pest Control Services, the low bidder. The Authority subsequently received notification that this firm was under investigation by the Department of Environmental Conservation; consultation with the Authority's Law Department led to a determination that it was in the Authority's best interest not to enter into an agreement with the low bidder. Alternative Pest Control was the second low bidder of the original nine bids received (in addition to eight non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$18,000.

"The contract with **Crosby Valve Inc. (Q-02-1856; PO # TBA)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide field service engineering necessary to inspect and repair various Crosby-manufactured nuclear safety related (Category I) safety and relief valves at IP3. Since Crosby Valve is the original equipment manufacturer ('OEM'), this contract is awarded on a sole source basis. (Notice was also published in the Contract Reporter in an attempt to identify additional potential bidders; however, no additional bidders were identified). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the term of the contract, \$160,000.

"The contract with **Normandeau Associates, Inc. (Q-02-1840; PO # TBA)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to perform the macro-fouling monitoring program for IP3. Significant macro-fouling of the service water heat exchangers occurred at IP3 in 1991, due to infestations of dark false mussels and blue mussels. More recently, zebra mussel veligers were found in plankton samples taken in front of the IP3 intakes. The objective of the macro-fouling monitoring program, in effect since 1992, is to determine the effectiveness of the service water chlorination program. Because the circulating water system cannot be continuously chlorinated (due to Environmental Protection Agency and Department of Environmental Conservation restrictions), the monitoring program must provide information as to the settling rate and growth patterns of all bivalves and other macro-fouling organisms, so that appropriate control measures can be determined. Implementation of this program is one element of the Authority's response to the Nuclear Regulatory Commission's Generic Letter 89-13, which details preventative measures to be taken to protect service water systems from a variety of problems. Normandeau was the low bidder of two bids received (in addition to six non-responding vendors and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$26,064.

"The contract with **Stellar Security Products (Q-02-1859; PO # TBA)** will commence on July 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide on-site repair services of the Stellar Intrusion Detection System at IP3, consisting of 'E'-field Perimeter Protection System E680 and E682 and Microwave M300LR modules. Because Stellar Security is the original equipment manufacturer of these electrostatic field and microwave modules of security systems that are permanently installed in the plant, this contract is awarded on a sole source basis. The vendor is in possession of original drawings and specifications, thereby increasing the reliability of parts and services provided. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be

March 25, 1997

exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Rates will remain firm for three years. Approval is also requested for the total amount expected to be expended for the term of the contract, \$20,000.

"The contract with **UMC Imaging Systems, Inc. (C97-I6945)** commenced on January 1, 1997, with the approval of the President, subject to subsequent Trustees' ratification and approval. The purpose of this contract is to provide off-site microfilming services for IP3 lifetime quality nuclear records and documents, including but not limited to: modification files, work requests, Category I purchase orders, historical procedures, technical documents, etc. Approximately 4 - 5 million pages of these documents have been stored in hard copy in the warehouse; due to budget constraints they have not been previously microfilmed. In addition, the Authority reserves the right to add a small portion of the microfilming services for the White Plains and New York Offices. UMC was the lowest technically qualified bidder of eight bids received (in addition to 17 non-responding vendors and notice in the Contract Reporter). The two lower bidders did not meet the bid requirement that documents must be transported and stored at the vendor's facility in fire retardant cabinets. The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$460,000.

"The contract with **Rubbish Removal Inc. (C97-J0044)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide compaction waste containers, dumpsters, removal equipment, and labor required for industrial waste (consisting of ion waste exchange resins) and rubbish removal services for JAF. Rubbish Removal was the low bidder of four bids received (in addition to one non-responding bidder and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$225,000.

"The contract with **T.S. Mathieson Construction Company (C97-J0130)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide equipment and labor necessary to transport wet sludge (consisting of human effluents and wastewaters collected from sanitary facilities) from various JAF holding tanks as well as the Emergency Operations Facility in Fulton to the Minetto Wastewater Pollution Control Plant. T.S. Mathieson was the low bidder of three bids received (in addition to three non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$65,000.

#### **CONTRACTS IN SUPPORT OF HEADQUARTERS AND THE NON-NUCLEAR FACILITIES:**

"The contract with **Digital Voice Corp. (Q-02-1824; PO # TBA)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide off-site repair and return services, on an 'as required' basis, for the Authority's DBX Mark II telephone systems, as well as the software for telephone switches, for headquarters and all Authority sites. Digital Voice was the sole responding bidder of five bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Approval is also requested for the total amount expected to be expended for the term of the contract, \$220,000.

"The contract with **Most Health Services Inc. (M96-0044; PO # TBA)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide medical examination services/occupational physicals for approximately 100 Authority employees at the Blenheim-Gilboa Project.

March 25, 1997

Services are provided in their mobile multi-phase facility, which consists of a fully equipped 45-foot medical trailer that functions as a totally self-contained system: electricity, heat and air-conditioning are powered on board giving the flexibility of performing testing at any location. Most Health Services was the low bidder of three bids received (in addition to two non-responding bidders and notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested. Rates will remain firm for the duration of the contract. Approval is also requested for the total amount expected to be expended for the term of the contract, \$40,000.

"Another contract with **Most Health Services (Q-02-1849; PO # TBA)** will commence on April 1, 1997, subject to the Trustees' approval. The purpose of this contract is to provide for medical examination services/annual occupational physicals for approximately 100 Authority employees at the Poletti and Flynn Projects. Services are provided in their mobile multi-phase facility, which consists of a fully equipped 45-foot medical trailer that functions as a totally self-contained system; electricity, heat and air-conditioning are powered on board giving the flexibility of performing testing at any location. Most Health Services was the sole responding bidder of five bids solicited (in addition to notice in the Contract Reporter). The intended term of this contract is three years, subject to the Trustees' approval, which is hereby requested (with an option for one additional year, to be exercised in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures). Approval is also requested for the total amount expected to be expended for the term of the contract, \$66,000.

#### FISCAL INFORMATION

"Funds required to support contract services for various headquarters Business Units have been included in the 1997 Approved O&M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate Nuclear Improvement Fund.

"Funding for subsequent years for both JAF and IP3 will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

#### RECOMMENDATION

"The Director - Communications, the Director - Environmental Programs, the Regional Manager - Central New York, the Regional Manager - SENY Southeast New York, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Nuclear Operations, and the Vice President - Procurement and Real Estate recommend the Trustees' approval of the award of multi-year procurement contracts to the companies listed in Exhibit '8-A' and as discussed above.

"The General Counsel, the Senior Vice President - Business Services, the Senior Vice President - Power Generation, the Chief Nuclear Officer, and I concur in the recommendation."

March 25, 1997

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED**, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, the award and funding of the multi-year procurement contracts listed in Exhibit "8-A" are hereby approved for the period of time indicated, in the amounts and for the purposes listed, as recommended in the foregoing report of the President.

IP3 and JAF Procurement (Services) Contracts - Awards  
(For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis' Contract Type</u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<b>CONTRACTS IN SUPPORT OF THE NUCLEAR FACILITIES:</b>								
IP3	ALTERNATIVE PEST CONTROL (C96-16828)	04/01/97	Provide exterminating services	03/31/00	B/S	\$0	\$0	\$18,000
IP3	CROSBY VALVE INC. (Q-02-1856; PO # TBA)	04/01/97	Provide inspection & repair services for Crosby safety and relief valves	03/31/00 + option yr	S/S	\$0	\$0	\$160,000
IP3	NORMANDEAU ASSO-CIATES (Q-02-1840; PO # TBA)	04/01/97	Perform macro-fouling monitoring program	03/31/00	B/P	\$0	\$0	\$26,064
IP3	STELLAR SECURITY PRODUCTS (Q-02-1859; PO # TBA)	07/01/97	Provide on-site repair services for e-field perimeter protection security system	06/30/00 + option yr	S/S	\$0	\$0	\$20,000
IP3	UMC IMAGING SYSTEMS (C97-16945)	01/01/97	Provide microfilming services	12/31/99	B/S	\$460,000	\$0	\$460,000
JAF	RUBBISH REMOVAL (C97-J0044)	04/01/97	Provide industrial waste and rubbish removal services	03/31/00	B/S	\$0	\$0	\$225,000
JAF	T.S. MATHIESON CONSTRUCTION CO. (C97-J0130)	04/01/97	Provide transportation for wet sludge from JAF to Minnetto Wastewater Pollution Control Plant	03/31/00	B/S	\$0	\$0	\$65,000

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search  
2 Contract Type: P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Awards  
 (For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis<sup>1</sup> Contract Type<sup>2</sup></u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<b>CONTRACTS IN SUPPORT OF HEADQUARTERS AND THE NON-NUCLEAR FACILITIES:</b>								
HQ & ALL SITES	DIGITAL VOICE CORP. (Q-02-1824; PO # TBA)	04/01/97	Provide repair and return services for Authority's DBX Mark II telephone systems	03/31/00	B/S	\$0	\$0	\$220,000
B-G	MOST HEALTH SERVICES INC. (M96-0044) PO # TBA)	04/01/97	Provide medical examination services	03/31/00	B/P	\$0	\$0	\$40,000
POLFLYNN	MOST HEALTH SERVICES INC. (Q-02-1849; PO # TBA)	04/01/97	Provide medical examination services	03/31/00 + option yr	B/P	\$0	\$0	\$66,000

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search  
 2 Contract Type: P= Personal Service; S= Service

9. **Procurement (Services) Contracts - James A. FitzPatrick,  
Indian Point 3 Nuclear Power Plants; Headquarters; and  
Non-Nuclear Facilities - Extensions and Approval of Additional Funding**

The President submitted the following report:

**SUMMARY**

"The Trustees are requested to approve the continuation and funding of the procurement contracts listed in Exhibit '9-A' for the Indian Point 3 ('IP3') and James A. FitzPatrick ('JAF') Nuclear Power Plants, as well as for Headquarters and the non-nuclear facilities. A detailed explanation of the nature of such services, the reasons for extension, and the projected expiration dates are listed below.

**BACKGROUND**

"Section 2879 of the Public Authorities Law and the Authority's Guidelines for Procurement Contracts require Trustees' approval for procurement contracts involving services to be rendered for a period in excess of one year.

"The Authority's Expenditure Authorization Procedures require Trustees' approval when a personal services contract exceeds a cumulative change order value of \$500,000, or when a non-personal services contract exceeds a cumulative change order limit of \$3,000,000.

**DISCUSSION**

"While the Authority's policy is to use its own staff to perform necessary engineering and craft labor work, there are cases where it is necessary to utilize external contractors or consultants to supplement Authority staff during peak working periods in support of refueling and other outages, or if special expertise is required which is not available within the Authority.

"Although the firms identified in Exhibit '9-A' have provided effective services, the issues or projects requiring these services have not been resolved or completed and the need exists for continuing these contracts. Trustees' approval is required because the terms of these contracts exceed one year and/or because the cumulative change order limits will exceed the levels authorized by the Expenditure Authorization Procedures in forthcoming change orders. All of the subject contracts contain provisions allowing the Authority to terminate the services at will, without liability other than paying for acceptable services rendered to the effective date of termination.

"These contract extensions do not obligate the Authority to a specific level of personnel resources or expenditures. As the Authority performs more work in-house over the next several years, funding allocated for services performed pursuant to these contract extensions will be correspondingly reduced.

"Extension of each of the contracts identified in Exhibit '9-A' is requested for one or more of the following reasons: 1) additional time is required to complete the current contractual work scope or additional services related to the original work scope; 2) to accommodate an Authority or external regulatory agency schedule change, which has delayed, re-prioritized, or otherwise suspended required services; 3) the original consultant is uniquely qualified to perform services and/or continue its presence, and rebidding would not be practical; 4) the contractor provides a proprietary technology or specialized equipment at reasonable negotiated

rates, which the Authority needs to continue until a permanent system is put in place; or 5) issues are related to the IP3 Continuous Improvement Program as well as preparation for Refuel Outage 9 ('RO9').

**CONTRACTS IN SUPPORT OF THE NUCLEAR PLANTS:**

"The four contracts with **Associated Technical Training Services, Inc. ('ATTSI'; S95-72139)**, **Enercon Services Inc. (S95-72153)**, **Entor Corp. (a certified Women's Business Enterprise; S95-72151)**, and **General Physics (S95-72154)** provide for temporary training personnel for JAF, in support of training commitments to the Nuclear Regulatory Commission ('NRC') and the Institute of Nuclear Power Operations ('INPO'). At their meeting of March 28, 1995, the Trustees approved award of these contracts for a two-year term, in the total combined amount of \$550,000; the contracts became effective on April 1, 1995. Currently there are two Senior Reactor Operator training personnel under contract; staff has identified a need for an additional two temporary training personnel to support operations training and to augment the Initial Licensed Operator exam process. Approval is now sought to exercise the option in the contract to extend services for one additional year, in order to meet the Licensed Operator training goals, especially in support of the Initial Licensed Operator ('LOI') training class and examination in November 1997. This training class is supported by contract personnel because Licensed Operator Replacement classes are not held on a continuous basis at JAF. Due to the aforementioned staffing shortage, JAF training staff have had to re-prioritize other training activities in order to provide the instructional support for this class; this has impacted other routine training programs. In addition, the NRC requirements for the LOI exam process have been revised, placing the burden of exam development and administration on the individual utilities. The four combined current contract amounts total \$673,276; the additional \$123,276 above the \$550,000 limit previously approved by the Trustees was authorized in accordance with the Authority's Expenditure Authorization Procedures. It is anticipated that an additional \$550,000 will be required for the extended term. The mark-up multiplier will remain firm for the duration of the contracts. The Trustees' approval is requested to extend the subject contracts through March 31, 1998, and to approve the additional funding.

"The four contracts with **Atometrics Inc. (C94-Z0037)**, **NPTS Inc. (a certified Minority Business Enterprise; C94-Z0036)**, **Raytheon Nuclear (C94-Z0039)**, and **Rudell & Associates (a certified Minority Business Enterprise; C94-Z0038)** provide for electrical engineering support services for IP3 and JAF. These specialized services include modification work performed at the consultant's home office location, as well as staff augmentation services performed on-site at both plants. The contracts commenced on November 1, 1994. At their meeting of October 25, 1994, the Trustees approved the subject contracts through December 31, 1996, in the combined total amount of \$2,000,000. Approval is now sought to exercise the option in the contracts to extend their terms for one additional year. The extension is needed to support IP3 Refueling Outage 9, the engineering backlog reduction effort, and electrical program issues (e.g., 480 volt upgrades, design basis calculations, electrical code issues). These tasks, some of which are ongoing and will continue through 1997, are included in the 1997 Design Engineering budget. The four combined current contract amounts total \$2,178,335. The additional \$178,335, above the \$2,000,000 limit previously approved by the Trustees, was authorized in accordance with the Authority's Expenditure Authorization Procedures. It is anticipated that an additional \$1,000,000 will be required to support the aforementioned tasks during the extended terms. Rates will remain firm for the duration of the contracts. The Trustees' approval is requested to extend the subject contracts through December 31, 1997, and to approve the additional funding.

"The contract with **Branch Radiographic Laboratories, Inc. (C96-I6730)** provides for Non-Destructive Examination ('NDE') personnel to perform radiographic, ultrasonic, magnetic particle, penetrant and visual testing, within 24-hours' notice, for IP3. This contract, which commenced on April 1, 1996, was previously approved by the Trustees at their meeting of March 26, 1996 for a period of three years and a total amount of \$300,000 expected to be expended for the term of the contract. Due to the recent forced outage, as well as

March 25, 1997

additional work identified for Refueling Outage 9 ('RO9'), this amount will be insufficient to support the plant. The current contract amount is \$270,000 (of the \$300,000 previously approved by the Trustees). It is currently anticipated that an additional \$300,000 will be required to support RO9 and additional work of this nature through the end of 1997. The Trustees' approval is now sought for this additional funding.

'INFORMATIONAL ITEM'

"At their meeting of November 26, 1996, the Trustees approved the award of seven General Services Agreements ('GSA's') to provide engineering personnel to perform design changes and modifications, on an 'as required' basis, in support of both nuclear plants. The contracts with **Proto Power Corp., Raytheon Nuclear, Stone & Webster Engineering Corp., Yankee Atomic Electric Company, Burns & Roe Enterprises, Inc., Cataract, Inc., and Sargent & Lundy (C96-Z0050 - C96-Z0056)** were awarded as a result of competitive bidding to the seven most technically qualified bidders. The original intent, as previously indicated to the Trustees, was that some tasks would be assigned on a sole source basis to the firm with a specific specialty or which could meet compressed schedule requirements, but that for most tasks the selected firms would competitively bid against each other, as tasks were identified to be performed, by submitting their qualifications, corresponding costs, and appropriate level of staffing to meet the required schedule for each task. In reality, most of the IP3 tasks to date have been awarded on a sole source basis due to the criticality of tasks to support RO9 and the backlog reduction effort, which is a significant issue with the NRC. The underlying reasons for this change in method of award are as follows.

"During the last quarter of 1996, demands on Engineering Department resources far exceeded the available Authority workforce capabilities, as the volume of engineering tasks required to support RO9 was identified. At that time, the projected outage start date was early April 1997; with such a limited time to prepare the engineering tasks for the outage, staff decided to minimize the time spent before actual work was begun on each task. As a result of insufficient in-house resources in relation to the volume and complexity of work and the aggressive outage schedule, nearly all of the critical tasks required to support the plant schedule for the refueling outage and the engineering backlog reduction effort were awarded on a sole source basis. In order to commence work as quickly as possible, staff identified these critical tasks first; for this reason, nearly all of the initial tasks awarded on a sole source basis were critical tasks.

"Vendors for each of these critical tasks were selected based on staff evaluation of the task and the vendor's ability to provide the technical expertise required as well as the available workhour resources. This selection process ensured to the maximum extent practical that the vendor was capable of delivering the desired product at a competitive cost. In addition, staff attempted to distribute the awards among the vendors to the greatest extent possible. However, a number of large tasks, such as the Service Water System piping improvements and the Radiation Monitor upgrades, made this difficult; these two tasks account for nearly \$1.5 million awarded to Yankee Atomic. Both of these tasks are critical to plant performance and reflect NRC issues.

"Since awarding the majority of the initial critical tasks on a sole source basis, staff have been increasingly successful in bidding tasks that are not critical to the forthcoming outage. Backlog reduction tasks are awarded on a sole source basis only when the expertise required is only available from one specific vendor. Of the approximately \$2.5 million in currently projected additional awards, nearly \$1 million has been or is being bid. This \$2.5 million also includes many additional critical plant tasks and the actual percentage of non-critical tasks currently being bid is quite high.

CONTRACTS IN SUPPORT OF HEADQUARTERS AND NON-NUCLEAR FACILITIES:

"The contract with **Apogee Interactive Inc. (S96-78382)** provides for marketing training and consulting services for the development and implementation of marketing strategies and plans in response to industry competition. The original award became effective on January 15, 1996 for a term of one year. Interim approval was obtained to extend services through March 31, 1997 in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. An eighteen-month extension is now requested to allow for continuation of training and preparation of Authority Account Executives for certification in strategy development and account management. The consultant is a nationally recognized expert in energy marketing strategies, including cogeneration and gas cooling, energy efficiency options. He has worked with more than 200 national and several international electric companies on strategic issues. He is uniquely qualified to provide the Authority with expert advice on customer perspective, especially as it relates to customer decision-making processes about energy efficiency options. The current contract amount is \$50,000; it is estimated that an additional \$25,000 will be required for the extended term. Rates will remain firm for the duration of the contract. The Trustees' approval is requested to ratify the interim approval, to extend this contract through June 30, 1998, and to approve the additional funding.

"The contract with **Focused Change International ('FCI'; S96-78576)** provides for strategic planning services and for assistance in developing a strategically-driven culture at the Authority to improve overall performance. At their meeting of September 24, 1996, the Trustees approved an extension through December 31, 1997 and a revised compensation ceiling of \$2.7 million. This authorization included funding for only one 'Z'-Team (the Financial 'Z'-Team), which completed its work in the fall of 1996 and did not include the nuclear portion of the Authority. In December 1996, the President authorized additional scope and funding in the amount of up to \$500,000 for the Nuclear 'Z'-Team, which was not included in the original contract award. The current authorized amount is \$3,200,000. Two additional 5-day Focus Group sessions will be added and the Performance Enhancement Practices ('PEP') training will be expanded to include nuclear operations personnel. The cost for this extra work, including expenses, is not anticipated to exceed \$400,000, resulting in a revised compensation ceiling of \$3,600,000. The Trustees' approval is requested to ratify the President's interim approval for expanded scope and funding to support the Nuclear 'Z'-Team, and to approve the additional \$400,000 in funding.

"The contract with **MVP Workplace Health & Safety (C96-M2001)**, which commenced on April 1, 1996, provides for medical examinations for approximately 90 Authority employees at the Frederick R. Clark Energy Center. Services include annual medical physicals, as well as pre-employment, fitness-for-duty, on-the-job injury, and return-to-work exams, and other optional tests. A two-year extension is now requested to exercise the option in the contract in order to continue services. The current contract amount is \$25,000. It is anticipated that an additional \$40,000 will be required for the extended term. Rates will remain firm through at least March 31, 1998. The Trustees' approval is requested to extend the subject contract through March 31, 1999 and to approve the additional funding.

"The contract with **Niagara Frontier Consulting Services, Inc. (S96-78612)** provides for asbestos abatement design and project monitoring services at the Niagara Power Project's Power Vista. The original award, which became effective on February 22, 1996, was awarded for a term of one year, in the amount of \$75,000; the original scope included only consultant/designer services (including drawings and specifications). The President approved a subsequent change order for expanded scope (to include independent project monitoring services) in the amount of \$110,000. A three-month extension is now requested in order to allow for completion of all asbestos abatement work (currently 90% complete), closeout of punchlist items, and the final report. Interim approval was obtained to extend services through March 31, 1997 in accordance with the Authority's Guidelines for Procurement Contracts and the Expenditure Authorization Procedures. The current contract amount is \$185,000; it is anticipated that no additional funding will be required for the extended term. The

March 25, 1997

Trustees' approval is requested to ratify the interim approval and to extend this contract through May 31, 1997, with no additional funding.

"The contract with **Power Engineering (S96-78715)** provides for technical services and field testing, on an 'as required' basis, in conjunction with the upgrade of turbine generators at the Niagara Power Project. Services may include the following tasks: excitation system adjustments, machining verifications, alignment and balancing, rotor rim retensioning, start-up testing, and preparation of reports. The original award, which became effective on February 21, 1996, was awarded for a term of one year, with the option to extend services for up to one year. Although only \$66,500 has been released to the vendor, \$200,000 was the total approved contract amount. A one-year extension is now requested to exercise the option in the contract in order to provide ongoing support for the upgrades, as needed. Interim approval was obtained to extend services through March 31, 1997 in accordance with the Authority's Guidelines for Procurement Contracts and Expenditure Authorization Procedures. The current contract amount is \$66,500 (of the \$200,000 originally approved); it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to ratify the interim approval and to extend this contract through February 20, 1998, with no additional funding.

"The contract with **Salesco Systems USA (S95-76028)** provides for recycling/disposal services for used light ballasts and lamps in support of the Authority's High Efficiency Lighting Program ('HELP'). The original award, effective on November 1, 1995, was the result of 'piggybacking' on a New York State contract, which had been competitively bid. The rates were substantially lower than those in the Authority's previous contract, i.e., 19 cents lower per pound for ballast disposal and approximately 3 cents lower per foot for fluorescent lamps. In June 1996, Authority staff renegotiated the terms and conditions and achieved even better pricing and volume discounts, resulting in a change order coterminous with the extended State contract (February 28, 1997). An interim extension through June 30, 1997 was approved by the Senior Vice President - Energy Efficiency and Technology. An extension through February 28, 1998 is now requested, in order to extend services for an additional year and take advantage of State contract pricing. The current contract amount is \$750,000. It is anticipated that an additional \$800,000 will be required for the extended term. The Trustees' approval is requested to ratify the interim approval, to extend the subject contract through February 28, 1998, and to approve the additional funding.

"The contract with **Structural Integrity Associates (S96-79259)** provides for the non-destructive testing of boiler pressure parts at the Poletti Project. These services involve the application of advanced diagnostic techniques to assess the condition of both the pressurized header and tube portions of the Poletti boiler, in order to determine the remaining life of these parts and their components. The original award, which became effective on March 11, 1996, was awarded for a term of one year, in the amount of \$196,000. A one-year extension is now requested in order to complete the original work scope. The plant has been on reserve shutdown for the last quarter of 1996 and will be in this mode during part of 1997; this work can only be performed when the plant is online and generating megawatts. The current contract amount is \$196,000; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend this contract through March 10, 1998, with no additional funding requested.

"The three contracts with **CommCore Communication Strategies (S96-80090)**, **Eckhart Special Productions, Inc. (S96-79538)**, and **Speechworks, Inc. (S96-80061)**, provide for media training, presentation training, and the evaluation of emergency drills and exercises for nuclear communications staff at headquarters, IP3, and JAF. The original awards, which became effective on April 12, 1996, March 22, 1996, and April 11, 1996, respectively, were awarded for a term of one year, in the combined total amount of \$25,000. A one-year extension is now requested in order to complete the original work scope. Emergent work and unanticipated priorities prevented completion of the anticipated professional development training programs. Expanded communications programs and responsibilities, combined with major public issues at both plants, interfered with

March 25, 1997

scheduling and conducting the sessions. The current contract amounts total \$8,116; it is anticipated that no additional funding will be required for the extended term. The Trustees' approval is requested to extend these contracts for a period of one year, with no additional funding requested.

#### FISCAL INFORMATION

"Funds required to support contract services for various non-nuclear Headquarters departments/Business Units, JAF, and IP3 have been included in the 1997 Approved O & M Budget. Funds for subsequent years, where applicable, will be included in the budget submittals for those years. Payment will be made from the Operating Fund.

"Funds required to support contract services for capital projects have been included as part of the approved capital expenditures for those projects. Payment will be made from the appropriate Nuclear Improvement Fund.

#### RECOMMENDATION

"The Director - Strategic Planning, the Regional Manager - Central New York, the Regional Manager - SENY Southeast New York, the Site Executive Officer - James A. FitzPatrick Nuclear Power Plant, the Site Executive Officer - Indian Point 3 Nuclear Power Plant, the Vice President - Project Management, the Vice President - Nuclear Operations, and the Vice President - Procurement and Real Estate, recommend the Trustees' approval of the extension and additional funding of the procurement contracts listed in Exhibit '9-A', as set forth above.

"The General Counsel, the Senior Vice President - Marketing and Development, the Senior Vice President - Business Services, the Senior Vice President - Energy Efficiency and Technology, the Senior Vice President - Power Generation, the Chief Nuclear Officer, and I concur in the recommendation."

The attached resolution, as recommended by the President, was unanimously adopted.

**RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, each of the contracts listed in Exhibit "9-A" is hereby approved and extended for the period of time indicated, in the amounts and for the purposes listed below, as recommended in the foregoing report of the President.**

IP3 and JAF Procurement (Services) Contracts - Extensions  
(For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis<sup>1</sup> Contract Type<sup>2</sup></u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<b>CONTRACTS IN SUPPORT OF NUCLEAR PLANTS:</b>								
JAF	ATTSI (S95-72139)	04/01/95	Provide temporary training personnel	03/31/98	B/S	\$71,604	\$18,491	\$*
JAF	ENERCON SERVICES INC. (S95-72153)	04/01/95	Provide temporary training personnel	03/31/98	B/S	\$197,392	\$173,822	\$*
JAF	ENTOR CORP. (S95-72151)	04/01/95	Provide temporary training personnel	03/31/98	B/S	\$0	\$0	\$*
JAF	GENERAL PHYSICS (S95-72154)	04/01/95	Provide temporary training personnel	03/31/98	B/S	\$404,280	\$206,340	\$*
IP3/JAF	ATOMETRICS (C94-Z0037)	11/01/94	Provide electrical engineering support services	12/31/97	B/S	\$231,000	\$114,153	\$*
IP3/JAF	NPTS INC. (C94-Z0036)	11/01/94	Provide electrical engineering support services	12/31/97	B/S	\$458,000	\$36,040	\$*
IP3/JAF	RAYTHEON NUCLEAR (C94-Z0039)	11/01/94	Provide electrical engineering support services	12/31/97	B/S	\$1,232,735	\$693,336	\$*
IP3/JAF	RUDELL & ASSOCIATES (C94-Z0038)	11/01/94	Provide electrical engineering support services	12/31/97	B/S	\$256,600	\$207,780	\$*
IP3	BRANCH RADIOGRAPHIC LABORATORIES, INC. (C96-I6730)	04/01/96	Provide NDE personnel and services	03/31/99	B/S	\$270,000	\$95,101	\$600,000

\* Note: The combined total amount expected to be expended for the life of the above 4 contracts is \$1,223,276.

\* Note: The combined total amount expected to be expended for the life of the above 4 contracts is \$3,178,335.

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search  
2 Contract Type: P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Extensions  
(For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis<sup>1</sup> Contract Type<sup>2</sup></u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
<b>CONTRACTS IN SUPPORT OF HEADQUARTERS AND NON-NUCLEAR SITES:</b>								
NYO	APOGEE INTERACTIVE (S96-78382)	01/15/96	Provide marketing training & consulting services	06/30/98	S/P	\$50,000	\$24,142	\$75,000
HQ	FOCUS'D CHANGE INTERNATIONAL (S96-78576)	01/02/96	Provide strategic planning services and "FOCUS" sessions	12/31/97	S/P	\$3,200,000	\$1,587,583	\$3,600,000
CEC	MVP WORKPLACE HEALTH & SAFETY (C96-M2001)	04/01/96	Provide medical examination services	03/31/99	B/P	\$25,000	\$18,398	\$65,000
NIA	NIAGARA FRONTIER CONSULTING SERVICES, INC. (S96-78612)	02/22/96	Provide asbestos abatement design and project monitoring services	05/31/97	B/P	\$185,000	\$74,451	\$185,000
NIA	POWER ENGINEERING (S96-78715)	02/21/96	Provide technical services and field testing for upgrade of turbine generator Unit No. 2	02/20/98	C/P	*\$66,500	\$37,151	\$200,000
HELP	SALESCO SYSTEMS USA (S95-76028)	11/01/95	Provide waste disposal services for HELP program	02/28/98	B/S	\$750,002	\$747,405	\$1,550,000
POL	STRUCTURAL INTEGRITY ASSOCIATES (S96-79259)	03/11/96	Perform non-destructive testing of boiler tubes and headers	03/10/98	B/S	\$196,000	\$91,000	\$196,000

\* Note: Although only \$66,500 has been released to the vendor, \$200,000 was the total approved contract amount.

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search  
2 Contract Type: P= Personal Service; S= Service

IP3 and JAF Procurement (Services) Contracts - Extensions  
(For Description of Contracts See "Discussion")

<u>Plant Site</u>	<u>Company Contract #</u>	<u>Start of Contract</u>	<u>Description of Contract</u>	<u>Closing Date</u>	<u>Award Basis<sup>1</sup> Contract Type<sup>2</sup></u>	<u>Compensation Limit</u>	<u>Amount Expended To Date</u>	<u>Expected Expenditure For Life Of Contract</u>
HQ/IP3/JAF	COMM CORE COMMUNICATION STRATEGIES (S96-80090)	04/12/96	Provide media training, presentation training, and evaluate emergency drills and exercises	04/11/98	B/P	\$4,091	\$4,091	\$*
HQ/IP3/JAF	ECKHERT SPECIAL PRODUCTIONS, INC. (S96-79538)	03/22/96	Provide media training, presentation training, and evaluate emergency drills and exercises	03/21/98	B/P	\$4,025	\$4,025	\$*
HQ/IP3/JAF	SPEECHWORKS, INC. (S96-80061)	04/11/96	Provide media training, presentation training, and evaluate emergency drills and exercises	04/10/98	B/P	\$0	\$0	\$*

\* Note: The combined total amount expected to be expended for the life of the above 3 contracts is \$25,000.

1 Award Basis: B= Competitive Bid; S= Sole Source; C= Competitive Search  
2 Contract Type: P= Personal Service; S= Service

March 25, 1997

**10. Next Meeting**

“The annual meeting of the Trustees will be held on **Wednesday, April 30, 1997, at the New York City Office at 10:00 a.m.**, unless otherwise designated by the Chairman with the concurrence of the Trustees.”

March 25, 1997

Closing

"Upon motion made and seconded, the meeting was closed at 1:15 p.m.

Anne Wagner-Findeisen  
Corporate Secretary

MARMINS.97